
MARCH 2010 QUARTERLY REPORT COMMENTARY AND BUSINESS UPDATE

The March quarter was a period of consolidation for the Company following the acquisition of Marketboomer late in the December quarter.

WebSpy Business Unit

The quarter saw ongoing growth in the level of annually recurring subscription revenues (as opposed to the perpetual or non-recurring) sales model which the business previously operated on.

The first anniversary of the introduction of subscription revenue products is approaching, which will see the company realising its first recurring payments since the model was introduced in May 2009. This, coupled with ongoing month to month sales (also predominantly on a subscription basis) should lead to a progressive increase in revenues from the WebSpy business unit.

In addition, the Directors are currently undertaking a review of the WebSpy business unit and sales model with a view to bringing increased scale and leverage to the sales function of the business via both distribution and reseller sales models. As a result a comprehensive channel sales model is being developed and will be launched during Q4. It is anticipated that the increased sales capability via distributors and resellers, along with further cost savings that have been identified, will assist in getting the WebSpy business unit to a cash flow break even position in the near future.

Development also continued on the new WebSpy SOHO product and a first alpha version was released in late March. Further testing and pre-release versions are ongoing with the current intention that the product will be launched in Q4.

Marketboomer

The Marketboomer business continues to demonstrate ongoing growth in transaction numbers driven by a combination of increased utilisation by existing clients and new clients either signing with or going live on the Marketboomer platform.



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Given the lingering effects of the GFC and the need to control costs to improve or protect margin, a more receptive approach to cost control and containment is being demonstrated within the hospitality industry. Marketboomer is ideally placed to capitalise on this opportunity.

In addition the Company's sales and prospect pipeline continues to expand and mature with some potentially substantial sales and partnering opportunities in the offing.

During the month of March, Marketboomer CEO, Declan Monahan made an inaugural trip to the United States to explore opportunities for an entree to the US market. The potential US expansion (as with any typical new-country expansion which Marketboomer undertakes) is driven by a combination of existing customer demand as well as specifically identified opportunities.

As a result of the US visit, it is anticipated that Marketboomer will aim to establish an initial US presence in 2H 2010.

Other notable go-lives or sales opportunities secured in the quarter were:

- 2 new Crowne Plazas and 3 new Holiday Inns joined the IHG PurchaserZone in New Zealand;
- the Crowne Plaza Adelaide joined the IHG PurchaserZone and the Quay West Resort & Spa Noosa joined the Mirvac PurchaserZone in Australia;
- 1 further Holiday Inn joined the IHG PurchaserZone in Singapore (taking this to all four IHG properties in the country);
- Dubai based Bin Hendi Group who operate a chain of 41 restaurants in the UAE ;
- the Spur Restaurant group who operate 4 properties in the United Kingdom;
- The Els Club, which is a part of the ambitious Dubai Sports City project.

Marketboomer Staff Restructure

In order to optimise its commercial opportunity during the quarter Marketboomer has also undertaken a re-organisation of its leadership group. This has involved both the employment of additional senior staff, as well as realigning the roles of certain key staff.



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Key appointments include:

- Nathan Gyaneshwar appointed as Global Director of Customer Success;
- Chris Web appointed as Global Director of Operational Support;
- Shireen Basha appointed as General Manager, Marketboomer Australia and New Zealand;
- Ihab Hashwa appointed as General Manager, Marketboomer Middle East.

Appointment of CEO

As announced to the market on 18 March 2010, the Board appointed Mr Declan Monahan, the incumbent Managing Director of Marketboomer to the role of CEO and Managing Director of WebSpy Limited, subject to the execution of an employment agreement. This process is continuing and the Board expects to finalise this matter in the near term.

CVC Facility

As also announced to the market on 18 March 2010, the Company has entered into a \$700,000 convertible note facility with CVC Private Equity Limited. The intention of the facility is to provide additional funding capacity to support the ongoing growth and investment in the Marketboomer business.

Cash Consumption

The quarter saw some remaining costs associated with the Marketboomer acquisition transaction brought to account, including the half year report being the first reporting with the combined entity.

Additionally, the Board, in recognising the growth potential being demonstrated by the Marketboomer business has committed to funding a significant expansion of the Marketboomer business. This is both in the areas of additional sales and key account management positions, aimed at maximising new sales opportunities and extracting additional revenue from existing customers. Additional investment in the development of new features and capabilities of the Marketboomer platform is also planned. This includes the ability as the business continues to grow to add significant scalability to the Marketboomer platform and ensure its ability to meet an anticipated significant ramp up in transaction numbers and users of the Marketboomer platform.



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The ramp up in the expansion of the Marketboomer business is anticipated to be a gradual process, but the additional development work being undertaken is fully engaged. As a result it is anticipated that the Marketboomer business will move to a period of cash consumption whilst this projected growth is funded and ongoing R&D work is undertaken.

AUTHORISED BY:



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About WebSpy Ltd

WebSpy is a global vendor of software solutions that transform the raw data in log files into manageable information, providing a transparent view over organisations' Internet, email and network usage. WebSpy enables organisations to protect and maximize their Internet investment, reducing costs related to unproductive behaviour, bandwidth usage and legal liability, whilst still allowing enjoyment of the benefits of a web-enabled environment.

For more information visit: <http://www.WebSpy.com>.

Marketboomer is an Internet based procurement and materials management system that provides its clients with the tools, information and control to transition from their current approach to procurement to industry best practice. The solution facilitates a more competitive market enabling businesses to trade with each other more effectively by allowing purchasers to buy from suppliers at the best possible price at a given point in time, and by improving processes.

For more information visit <http://www.marketboomer.com/>



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Appendix 4C

Quarterly report for entities admitted on the basis of commitments

Introduced 31/3/2000. Amended 30/9/2001, 24/10/2005.

Name of entity

WEBSPY LTD

ABN

60 066 153 982

Quarter ended ("current quarter")

31 March 2010

Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A'000	Year to date (9 Months) \$A'000
1.1 Receipts from customers	1,888	3,083
1.2 Payments for (a) staff costs	(850)	(1,634)
(b) advertising and marketing	(89)	(280)
(c) research and development	(292)	(371)
(d) leased assets	-	-
(e) other working capital	(725)	(1,537)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	4	40
1.5 Interest and other costs of finance paid	(86)	(93)
1.6 Income tax credit received (R&D tax offset)	-	-
1.7 Other	-	-
Net operating cash flows	(150)	(792)

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Appendix 4C
Quarterly report for entities
admitted on the basis of commitments

		Current quarter	Year to date
		\$A'000	(9 Months)
		\$A'000	\$A'000
1.8	Net operating cash flows (carried forward)	(150)	(792)
	Cash flows related to investing activities		
1.9	Payment for acquisition of:		
	(a) businesses (item 5)	-	-
	(b) equity investments	-	-
	(c) intellectual property	(42)	(94)
	(d) physical non-current assets	(22)	(59)
	(e) other non-current assets	-	-
1.10	Proceeds from disposal of:		
	(a) businesses (item 5)	-	-
	(b) equity investments	-	-
	(c) intellectual property	-	-
	(d) physical non-current assets	-	-
	(e) other non-current assets	-	-
1.11	Loans to other entities	-	-
1.12	Loans repaid by other entities	-	-
1.13	Other (cash acquired on acquisition of subsidiary)	-	427
	Net investing cash flows	(64)	274
1.14	Total operating and investing cash flows	(214)	(518)
	Cash flows related to financing activities		
1.15	Proceeds from issues of shares, options, etc.	-	-
1.16	Proceeds from sale of forfeited shares	-	-
1.17	Proceeds from borrowings	250	250
1.18	Repayment of borrowings	-	-
1.19	Dividends paid	-	-
1.20	Other	-	-
	Net financing cash flows	250	250
	Net increase (decrease) in cash held	36	(268)
1.21	Cash at beginning of quarter/year to date	922	1,137
1.22	Exchange rate adjustments to item 1.21	42	131
1.23	Cash at end of quarter	1,000	1,000

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Payments to directors of the entity and associates of the directors

Payments to related entities of the entity and associates of the related entities

		Current quarter \$A'000
1.24	Aggregate amount of payments to the parties included in item 1.2	(108)
1.25	Aggregate amount of loans to the parties included in item 1.11	-

1.26 Explanation necessary for an understanding of the transactions

Executive directors' remuneration	-	(84)
Services provided by director-related entities	-	(24)

Non-cash financing and investing activities

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

Nil

2.2 Details of outlays made by other entities to establish or increase their share in businesses in which the reporting entity has an interest

Nil

Financing facilities available

Add notes as necessary for an understanding of the position. (See AASB 1026 paragraph 12.2).

		Amount available \$A'000	Amount used \$A'000
3.1	Loan facilities	700	250
3.2	Credit standby arrangements	-	-

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Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.	Current quarter \$A'000	Previous quarter \$A'000
4.1 Cash on hand and at bank	990	922
4.2 Deposits at call	10	-
4.3 Bank overdraft	-	-
4.4 Other (provide details)	-	-
Total: cash at end of quarter (item 1.22)	1,000	922

Acquisitions and disposals of business entities

	Acquisitions <i>(Item 1.9(a))</i>	Disposals <i>(Item 1.10(a))</i>
5.1 Name of entity	Nil	Nil
5.2 Place of incorporation or registration		
5.3 Consideration for acquisition or disposal		
5.4 Total net assets		
5.5 Nature of business		

Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act (except to the extent that information is not required because of note 2) or other standards acceptable to ASX.
- 2 This statement does give a true and fair view of the matters disclosed.

Sign here: Date: **30 April 2010**
 Chief Executive Officer

Print name: **Jack Andrys**

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Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
2. The definitions in, and provisions of, *AASB 1026: Statement of Cash Flows* apply to this report except for the paragraphs of the Standard set out below.
 - 6.2 - reconciliation of cash flows arising from operating activities to operating profit or loss
 - 9.2 - itemised disclosure relating to acquisitions
 - 9.4 - itemised disclosure relating to disposals
 - 12.1(a) - policy for classification of cash items
 - 12.3 - disclosure of restrictions on use of cash
 - 13.1 - comparative information
3. **Accounting Standards.** ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

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